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1988 RV DIRECTORY UPDATE 57

A SOUTH BEND SHOW PREVIEW 69

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RV BUSINESS

JUL/15
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Europe's Van Market Offers Potential Profit

The growing popularity of vans in Western Europe should open marketing doors for U.S. automakers and van-component suppliers, according to a study released recently by Frost & Sullivan Inc., New York, N.Y., an international market research firm.

The new study, although geared to the European OEM market, also sheds light on the potential market for exports of upfitted van conversions to Europe—a trend that is being studied with interest by the automakers.

The new study examines country-by-country van production, and, in so doing, concludes that rising European van manufacturing volume is a plus for North American companies wishing to "latch on" to that continent's growing marketplace. It points out that Western Europe is still one of the world's major van-producing blocs, with output just behind Japan and the United States. *(See related article with details of the Frost & Sullivan study on page 11 in this issue.)*

Frost & Sullivan predicted that Europe's van production was "poised for growth," with a 15% net gain forecast between 1986-92. North American companies could account for some of that growth, researchers implied, in that they could fill a market niche with vans that are heavier and better-equipped than European models.

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FISHING FOR FIRST-TIMERS: Companion articles cover dealers' strategies for luring first-time buyers and RV makers' evaluations of current industry efforts to reach the first-timer market. See page 24.

Fla. Bill Sparks Park-Model Debate

A bill permitting park models to be a maximum of 14 feet in width passed the Florida legislature in June, sparking a controversy within the state and rekindling old concerns nationally over the future direction of park trailers.

The Florida bill was passed despite heavy opposition from the Florida RV Trade Association (FRVTA), which believes its provisions will have an adverse impact on both park-model manufacturers and state campground operators.

"The last thing we needed was legislation that throws another different-size unit into the marketplace," said Terry Varvil, executive director of FRVTA. "It is our understanding that the new law could cause major problems for dealers who sell (14-foot-wide) units to customers who want to take them into campgrounds that might not be able to accept them because of lot-size requirements or county restrictions."

Officials of RVIA, on the other hand, said they could not fault the Florida bill on the 14-wide issue. "I don't really see any real problems in allowing 14-wide

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Ford to Offer New 'A' Chassis In November

Ford Motor Co. officials have set a Nov. 4 date for the official start of production of the company's new 16,000-pound gross vehicle weight Class A motorhome chassis.

After allowing two weeks for delivery to RV manufacturers and another two or more weeks to put bodies on the chassis, Ford officials based in Detroit, Mich., now admit that it will probably be mid-December before any completed motorhomes using the new chassis will begin showing up at dealerships.

Kenneth Trosien, special vehicle engineer at Ford, said the company has planned to build 40 units in late July or early August for motorhome manufacturers to use in design and development so that, hopefully, they may have some units for display and advertising at November's Dodger Show in Los Angeles, Calif.

At the same time, Ford is trying to advance the Nov. 4 start-up as much as it can, he said. The reason for the late start is the introduction of a new powertrain, including a 7.5-liter fuel-injected engine and electronically controlled four-speed automatic transmission, which has required extensive testing. The electronic transmission is a particularly sophisticated piece of equipment, according to Ford sources. A central module controls the engine, timing and emissions. When the vehicle is

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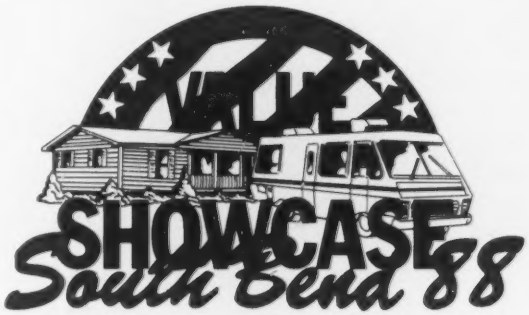

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COVER ILLUSTRATION: SHELLY SHAFFER

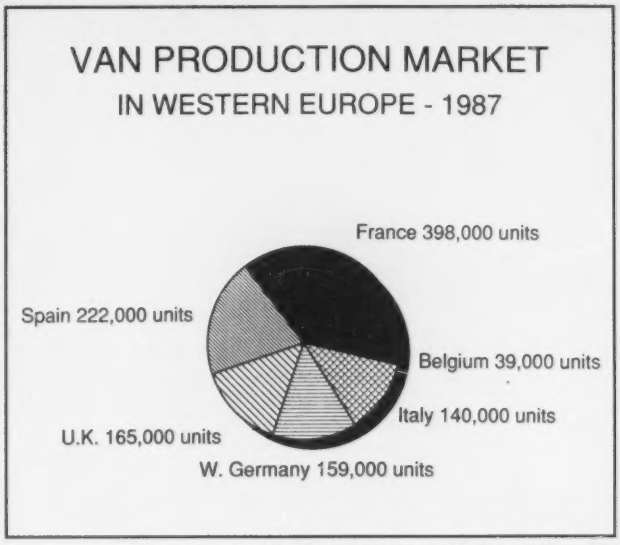
NEWS FEATURE

Study Finds European Van Industry Poised for Growth Into 1990s

The van market is booming in Europe, according to *European Original Equipment Van Components Sector,* a 314-page analysis recently completed by Frost & Sullivan Inc., New York, N.Y. This means, noted the study, that manufacturers of major van parts can expect a brisk $5.2 billion-a-year market by the year 1992.

Last year, van makers purchased almost $4.83 billion in components from independent manufacturers. The Frost & Sullivan report projected that this figure will rise to $5.07 billion in 1988. (Constant 1986 dollars were used in the projections.) Frost & Sullivan defined vans as all goods vehicles with a gross vehicle weight (gvw) of less than 4 tons.

The industry was left unscathed by the earlier recession, since many customers purchased vans as lower-cost, flexible alternatives to small trucks, according to the study. As a result, demand for vans in Western Europe has remained at about 1.1 million units a year.



SOURCE: FROST & SULLIVAN INC. REPORT E987

Van production is currently poised for growth: A 15% net gain is reported likely between 1986 and 1992. Production could stabilize at around 1.25 million vans a year for several years, with an annual unit growth of 5%-6% in 1987 and 1988. Growth is projected to peak around 1990-91.

France accounted for 35% or 398,000 units of the 1.12 million produced in 1987; Spain built 222,000 or 20%; the United Kingdom produced 165,000 or 15%; and West Germany accounted for 159,000 or 14%. *(See chart.)*

The Frost & Sullivan analysis reported that currently produced vans fall between 1.8 and 2.5 tons gvw. The future growth is expected to be in lighter models. Δ

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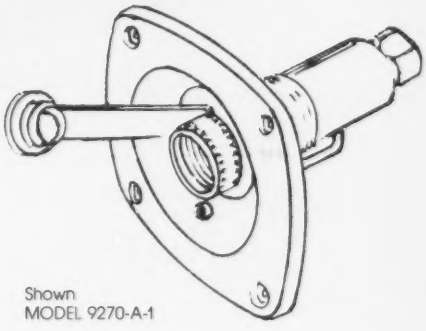

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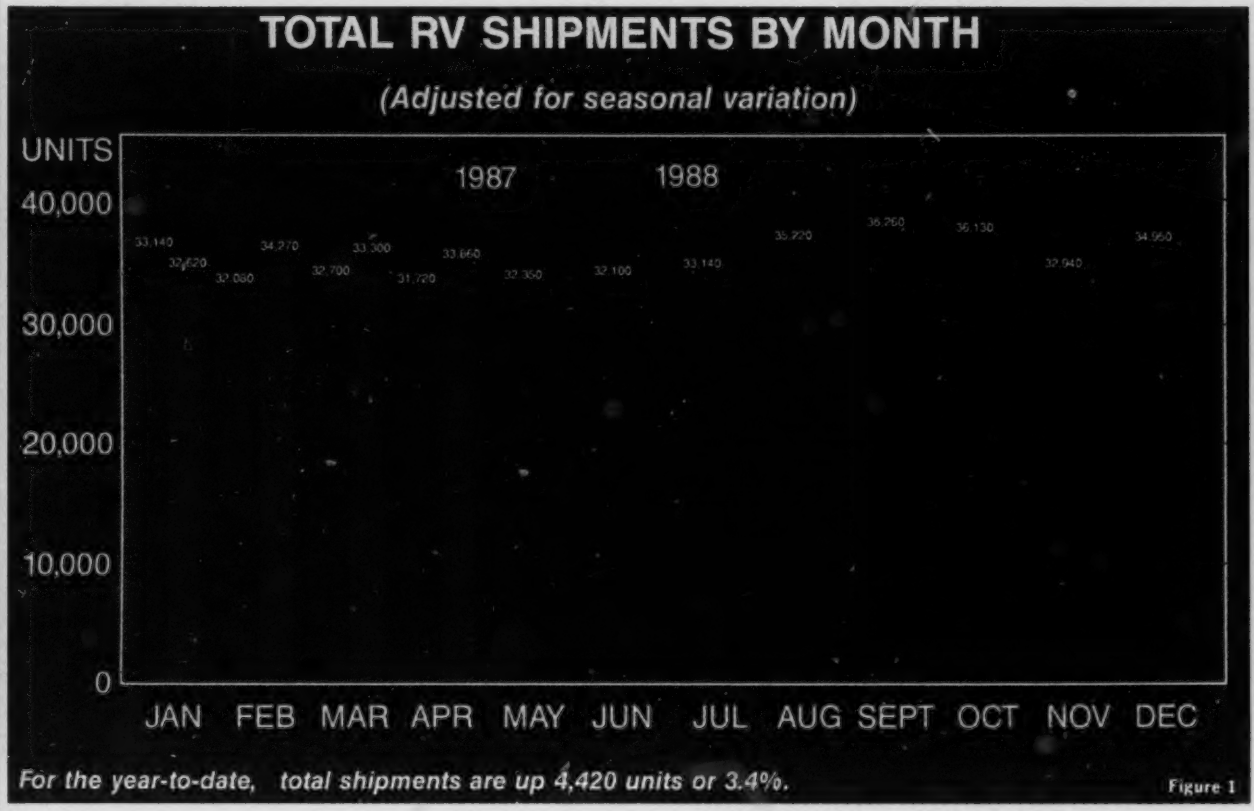


For the year-to-date, total shipments are up 4,420 units or 3.4%.

Figure 1

A roller coaster is fun, or at least that is what we understand from people who enjoy that form of self-imposed torture.

The steady ascent far above the surrounding world is followed by a dramatic, heart-stopping swoop into the depths of potential destruction, which leaves the rider exhilarated. Otherwise-rational beings actually stand in long lines to experience such delights. Some will even return for a second chance at testing the strength of gravity.

However, in business, such wild rides are not appreciated by everyone—although economic analysts do enjoy the zest of major fluctuations. It is more interesting to offer commentary and speculation about data series that are showing some major activity.

Think of all the fun stock market analysts had last October. A big change in the trade deficit is a richer source for wise observation than is a minor continuation of a steady trend.

RVs Show Steady Growth

Certainly, the current state of the RV industry does nothing for the sensation-seeking observer. Conditions just keep showing improvement without stirring up much excitement.

Figure 1, for instance, has very few thrills. RVIA shipment data for April, adjusted for normal seasonal variation, demonstrate just how dull good news can be.

For the third consecutive month, shipments exceeded the same month a year ago. In April, as in February, this improvement was nearly 7% above the corresponding month of 1987.

For the year-to-date, total shipments are more than 4,400 units (3.4%) ahead of 1987.

That is all very good news, but look at the flatness. If these data were a movie, they would be rated "G" for their wholesome lack of stimulation.

In the past 16 months, shipments have averaged 33,550 units per month. This April, which came in at 33,860 units, was just about an average month. So far in 1988, total shipments have not exceeded the 36,260 high of September 1987, nor have they fallen below the April 1987 low of 31,720 units. That is not enough of a swing to get Tarzan across a raging jungle river.

Excitement Lies in Details

Yet, within the shipment data are shifting fortunes that make for some real interest.

For example, although total shipments were up a faint 1.7%, the percent changes from March to April in 1988 were in double digits for six of the 11 model types on which we report.

Figure 2 shows some wide variations. Conventional travel trailers were down by a mere 2%, while micro-minis (on small volume) were up 50%. Truck campers fell 10% at the same time that van conversions were up 10%.

For the year-to-date, park model and fifth-wheel trailers were showing strong gains of 13% and 22%, respectively, compared with the first four months of 1987. At the same time, in the category of motorhomes, Class B units were off 24%; low-profile Class C's were down 31%; and Class C micro-minis dropped nearly 46%.

As a group, towables were up

MARKET SHARE BY TYPE OF UNIT
(Year-to-date, adjusted for seasonal variation)

	1988	1987
Travel Trailers:		
Conventional	14.3	15.5
Park Models	2.0	1.8
Fifth-wheels	7.7	6.5
Folding Camping Trailers	10.3	9.8
Truck Campers	2.6	2.6
Motorhomes:		
Class A	9.6	9.3
Class B Van Campers	1.2	1.6
Class C:		
Minis	4.9	4.9
Low Profile	0.5	0.7
Micro-minis	0.7	1.3
Multiuse Van Conversions	46.4	45.9
Total RVs	100.0	100.0

Detail may not add to total because of rounding.

Figure 3

for 1988 by 2,350 units (5%) over the same period last year, with gains made by all model types except conventional travel trailers. Van conversions also were up for the first four months, gaining nearly 5%, with 2,750 more units shipped than in the previous year.

The only major group to show a decline for the year-to-date was the motorhome category, and that was just a 700-unit drop (less than 0.05%). The gains of the Class A units and the Class C minimotorhomes almost offset the declines of the Class B's and Class C low-profiles and micro-minis.

The result of all these internal shifts are seen in the changing market shares of Figure 3. Towables and van conversions each picked up half a point. These gains came at the expense of motorhomes, which dropped a point in market share.

Within the industry, these are changes of consequence. From a distance, there is hardly any movement to be noticed. This mixed picture creates the impression that the industry is marching in place. But the individual parts of the RV industry are moving about vigorously (like the feet of an army marching in place), even though the industry as a whole seems to move forward only slowly.

Drought May Affect RVs

The extended dry conditions in our nation's farming areas are, at this writing, becoming a matter for serious concern. Farm commodity prices have already risen. No frenzy has been reached as yet, but rapid increases might occur, pushing up prices at the retail level with a major impact on the Consumer Price Index.

Once that happens, the nightly news will focus on the story with some intensity and inflationary forces could be set loose that would run through the economy rapidly, forcing the Federal Reserve Board to decide to raise interest rates to stop the price increases.

There would be no good news in that scenario for the RV industry.

Falling real disposable income and rising interest rates both would work adversely on the prospects for late 1988 and all of 1989. The recession—which many analysts had said would follow from the stock market decline, while others had foreseen from historical charts, and still others had read into their horoscopes—would then be upon us.

A recession would be in the works, but not for any occult reason. The shortfall of precipitation was not foretold by any of the "indicators." If superstition is to be called upon, let us all wash our cars and go picnicking to bring down the rains. Δ

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.

RV SHIPMENTS BY TYPE OF UNIT MARCH AND APRIL 1986-88
(Adjusted for seasonal variation)

	March 1986	April 1986	March 1987	April 1987	March 1988	April 1988
Conventional	4,310	4,350	4,680	4,660	4,890	4,790
Park Models	620	670	520	560	630	650
Fifth-wheels	1,780	1,820	2,120	2,100	2,540	2,610
Total Travel Trailers	6,710	6,830	7,310	7,330	8,060	8,050
Folding Camping Trailers	2,760	2,830	3,110	3,140	3,460	2,920
Truck Campers	520	540	900	810	900	810
Total Towables	10,000	10,210	11,330	11,280	12,430	11,780
Class A	2,410	2,670	3,160	3,090	3,350	3,250
Class B Van Campers	290	500	490	500	500	360
Class C						
Minis	1,250	1,500	1,670	1,810	1,760	1,810
Low Profile	260	270	270	190	270	100
Micro-minis	420	520	340	350	170	260
Total Motorhomes	4,620	5,470	5,940	5,940	6,050	5,780
Van Conversions	14,810	15,810	15,430	14,500	14,820	16,310
Total RVs	29,420	31,490	32,700	31,720	33,300	33,860

Detail may not add to total because of rounding.

Figure 4

RV SHIPMENTS BY TYPE OF UNIT
(Adjusted for seasonal variation)

TYPE	APR 1988	PERCENT CHANGE FROM MAR	YEAR-TO-DATE 1988	1987	PERCENT CHANGE
TOTAL RVs	33,860	1.7	134,060	129,640	3.4
Travel Trailers					
Conventional	4,790	-2.1	19,140	20,150	-5.0
Park Models	650	3.1	2,640	2,340	12.9
Fifth-Wheels	2,610	2.9	10,310	8,440	22.2
Folding Camping Trailers	2,920	-15.8	13,830	12,710	8.8
Truck Campers	810	-10.2	3,470	3,400	2.1
Motorhomes					
Class A	3,250	-2.8	12,820	12,120	5.8
Class B Van Campers	360	-28.5	1,580	2,100	-24.6
Class C					
-Mini	1,810	3.0	6,520	6,370	2.3
-Low Profile	100	-64.9	640	940	-31.3
-Micro-mini	260	50.7	880	1,620	-45.7
Multi-use Van Conversions	16,310	10.0	62,210	59,460	4.6

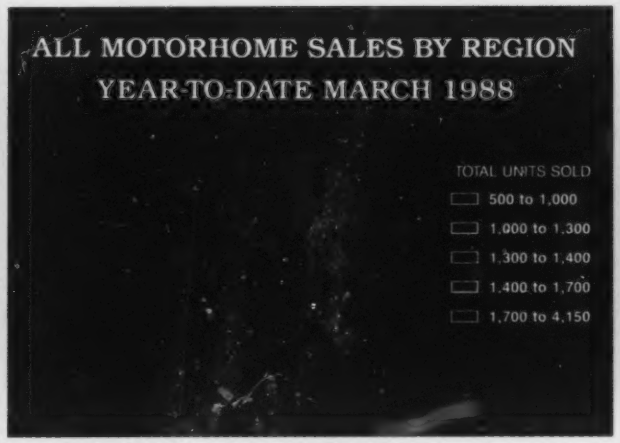
Note: Percentages are computed from unrounded data

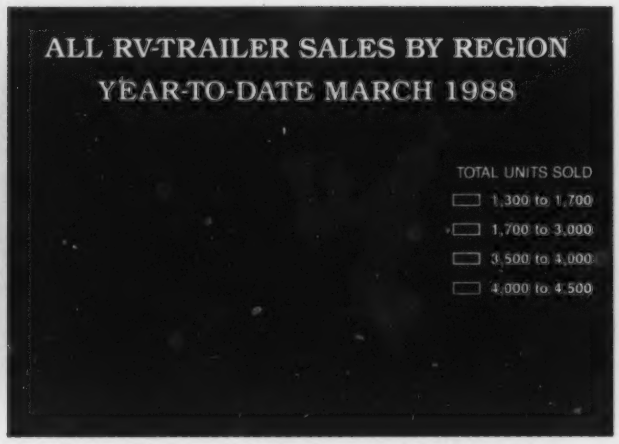
Figure 2

GRAPHICS: CUSTOM COLOR VISUALS

MARCH SETS STAGE FOR STRONG '88

THOMAS WALWORTH





East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin; **Mountain**: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming; **Northeast**: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont; **Pacific**: Alaska, California, Oregon, Washington, Hawaii; **South Atlantic**: Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia; **West North Central**: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota.

The March 1988 RV market continued its upward movement as the national RV-trailer and motorhome industry registered positive gains for both the month and year-to-date.

Regionally, however, the picture was more mixed. Some areas of the country significantly outperformed others, and certain regions did very well in terms of motorhome sales yet turned in only average performances in RV-trailer sales.

Overall, RV trailers had a national gain of 7.51% this March compared with March of 1987. That March performance was a continuation of, and improvement on, February's gain of 6.22% over February of last year.

The March increase also cre ated a year-to-date increase ir nationwide RV-trailer registrations of 3.10% when compared with last year's first quarter.

Five out of seven regions posted positive increases for RV-trailer sales in the month of March. The Mountain region continued its lead with a 52% increase in sales for March compared with the same month last year, while the South Central states did the most poorly, with a 7.8% decline in sales from March 1987. *(See Figure 1.)*

On a year-to-date basis, the RV-trailer industry reported five of seven regions with gains over 1987. The Mountain region led the way with a 42% gain for the first quarter of 1988, compared with the same period last year.

In March, the motorhome market outperformed the RV-trailer market nationally, in terms of percent changes from 1987 to '88, and this was true for both the monthly and year-to-date comparisons.

Nationwide, March sales for the motorhome industry were 29.4% ahead of March 1987. And, year-to-date, the first quarter of 1988 was 14.8% ahead of 1987 for the same period.

All regions registered market increases for motorhomes in March compared with March 1987. The Pacific region led the way with a 53% increase. *(See Figure 2.)*

This is a positive sign for the motorhome industry. In February, only five of seven regions reported gains, while, in March, sales for all seven regions were in the positive range.

REGIONAL RV-TRAILER SALES FOR MARCH 1988

Region	Percent Change From March '87	Percent Change Year-to-date
East North Central	.4	2.1
Mountain	52.0	42.0
Northeast	30.9	27.9
Pacific	8.7	4.0
South Atlantic	−5.4	−7.1
South Central	−7.8	−5.4
West North Central	5.6	1.5

Figure 1

REGIONAL MOTORHOME SALES FOR MARCH 1988

Region	Percent Change From March '87	Percent Change Year-to-date
East North Central	21.4	7.1
Mountain	18.6	16.6
Northeast	32.8	17.3
Pacific	53.0	20.2
South Atlantic	18.0	18.2
South Central	3.4	3.3
West North Central	33.0	8.1

Figure 2

Year-to-date, all regions turned in increases in motorhome registrations compared with the first quarter of last year. The Pacific region was on top with a 20.2% increase over 1987.

Both RV-trailer and motorhome markets continued to outperform last year's numbers in March, so that the retail market, which started out slowly, seems to be picking up speed as the year continues. This should be a solid base for a good year in 1988. Δ

Thomas Walworth is general manager of Statistical Surveys Inc., Grand Rapids, Mich., which has reported retail statistics for 30 years to the RV industry. Statistical Surveys is an acknowledged leader in the RV statistical field.